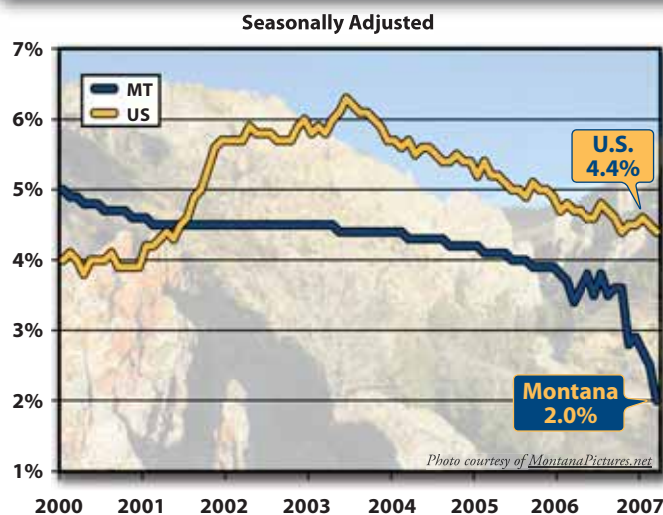


Montana Economy at a Glance

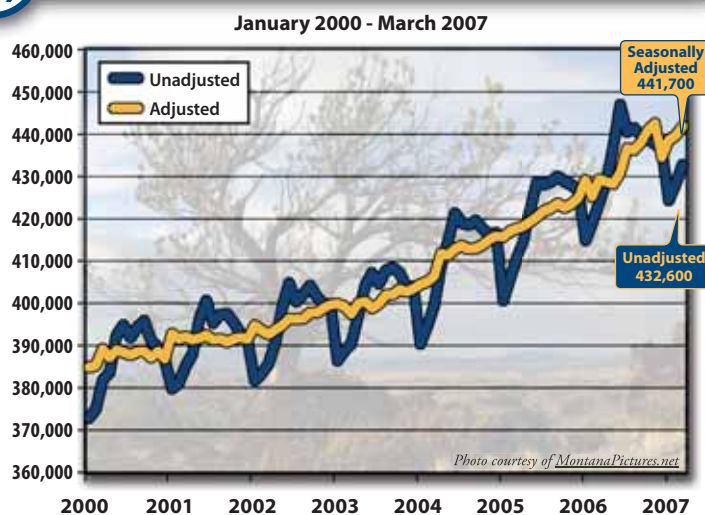
UNEMPLOYMENT RATE



NONFARM EMPLOYMENT



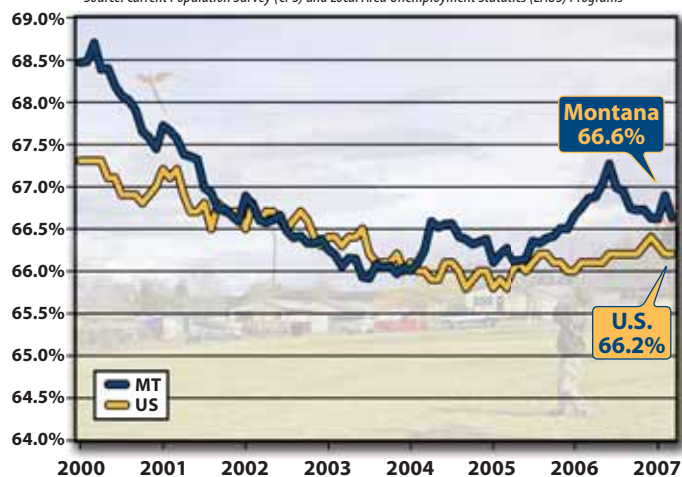
Montana's seasonally adjusted unemployment rate decreased to 2.0% in March 2007 from 2.5% in February. The U.S. rate decreased slightly to 4.4% from 4.5% over the month.



Montana's seasonally adjusted nonagricultural payroll employment increased by 1,900 jobs (0.4%) from February to March 2007. The largest gains were seen in Leisure & Hospitality (up by 800 jobs), Education & Health Services (up 500 jobs), and Trade, Transportation, & Utilities (up 400 jobs).

LABOR FORCE PARTICIPATION

Source: Current Population Survey (CPS) and Local Area Unemployment Statistics (LAUS) Programs



Montana's labor force participation rate continues to trend above the national average. The increase in the rate since mid 2005 corresponds with the decrease in the unemployment rate and is further evidence of Montana's tightening labor market.

EMPLOYMENT BY INDUSTRY

Industry Employment (in thousands)	Mar.(P) 2007	Feb. 2007	Net Change	Percent Change
Total Non-Agricultural	441.7	439.8	1.9	0.4%
Natural Resources & Mining	8.7	8.5	0.2	2.4%
Construction	31.2	31.0	0.2	0.6%
Manufacturing	20.8	20.9	-0.1	-0.5%
Trade, Transportation, Utilities	90.7	90.3	0.4	0.4%
Information	8.0	8.0	0.0	0.0%
Financial Activities	22.8	22.8	0.0	0.0%
Professional & Business Services	40.6	40.6	0.0	0.0%
Education & Health Services	58.4	57.9	0.5	0.9%
Leisure & Hospitality	56.5	55.7	0.8	1.4%
Other Services	17.2	17.2	0.0	0.0%
Total Government	86.8	86.9	-0.1	-0.1%

(P) denotes preliminary figures



Help Wanted:

A Look at Labor Force Participation in Montana

By Tyler Turner and Brad Eldredge, Ph.D.

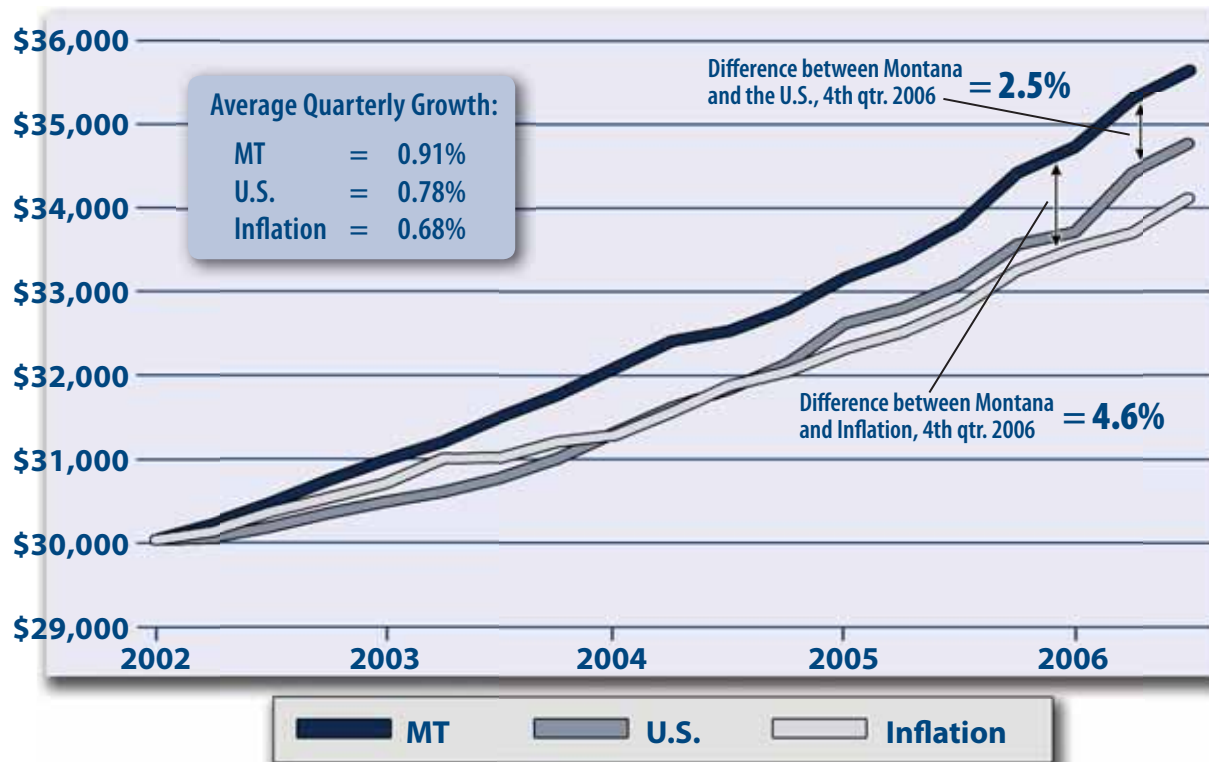
Montana has experienced a tightening labor market over the last year and a half.

Both anecdotal and empirical evidence suggests that demand for workers is outstripping the supply. Whether it is a sign advertising \$12/hour starting wages at McDonalds, or the statewide unemployment rate dropping to 2.0%, it is becoming clear that workers are in short supply. A shortfall of workers has the potential to negatively affect Montana's economy. With that in mind, this article will look at the state of labor force participation in Montana and offer potential solutions to any shortage that the state may experience in the coming years.

Defining a Labor Shortage

Economists have generally agreed that "full employment" is reached when unemployment rates near 4.5%. Anything below this rate is viewed as unsustainable in the long run and may be a hindrance to economic growth. Montana's unemployment rate has been below the 4.5% threshold since May 2003 and has been below 4.0% since September 2005.

Other evidence of a labor shortage may include rapidly rising wages. Figure One shows U.S., Montana, and Inflation (CPI) adjusted wages. Each line represents the quarterly percentage change in wages based on a base wage of \$30,000 in 2002. The data reveals that Montana wages have grown much faster than both inflation and U.S. wages.

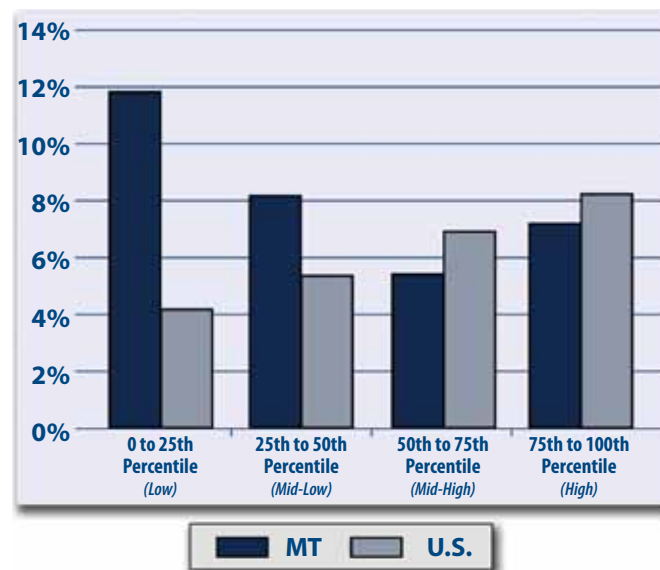
Figure One: Quarterly Increase in Wages for the U.S., MT, and Inflation, 2002-2006

Prepared by: Montana Department of Labor and Industry, Research & Analysis Bureau

Looking further into the wage growth issue also reveals interesting results. Anecdotal evidence has suggested that demand among businesses for labor is not being met in the low wage occupations. A simple test of this argument is to examine wage and employment growth among different occupation classes.

Occupations in Montana were broken into four broad categories: low, mid-low, mid-high, and high. These categories were defined by comparing the median wage for an occupation with the 25%, 50%, and 75% percentile wages for all occupations in Montana in 2002. For example the median wage for Waiters and Waitresses was \$13,169. This was below the 25% statewide wage of \$16,207, which places this occupation in the low category. Data was then collected through 2005 on each occupation based upon its classification in 2002. This allowed for comparisons of wage and employment growth among the categories across time.

Figure Two shows changes in average wages for Montana and the U.S. The two areas have an almost inverse pattern of wage growth. In Montana, occupations with low and mid-low wages have experienced the fastest wage growth, while nationally

Figure Two: Percentage Change in Average Annual Wage by Occupational Wage Classification for Montana and the U.S. 2002-2005

*Source: Occupational Employment Statistics
Prepared by: Montana Dept. of Labor and Industry, Research & Analysis Bureau*

the mid-high and high wage occupations have seen the fastest wage growth. This supports stories which suggest wage pressure is most severe among low wage occupations and offers further evidence of increased competition for workers.

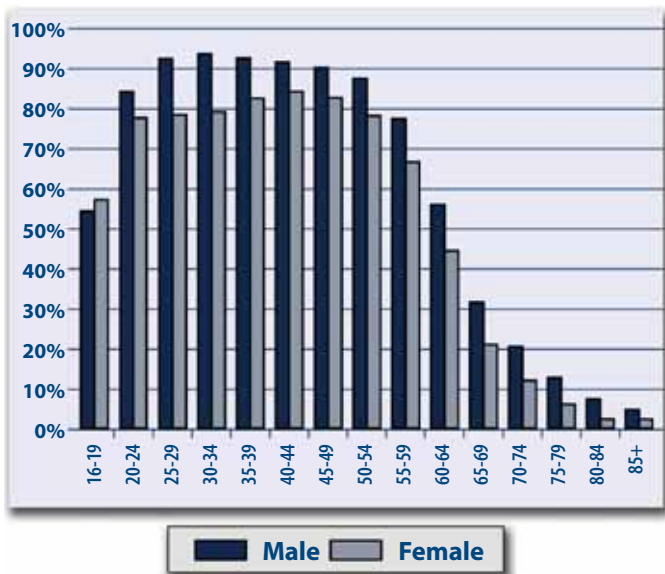
Labor Force Participation

If Montana is experiencing a shortfall in available labor, then where does it turn to fill in the gaps? Perhaps the best data to answer this question are labor force participation rates. Labor force participation is simply defined as the percentage of the civilian population either employed or unemployed. By looking at labor force participation for specific subgroups of the Montana population, pools of untapped labor may be identified.

Labor Force Participation by Age and Gender

It is well known that labor force participation will vary by age group. For example, those in their thirties are more likely to be in the labor force than those in their teens or late sixties. Figure Three shows average

Figure Three: Average Male and Female Labor Force Participation by Age, 1994-2006



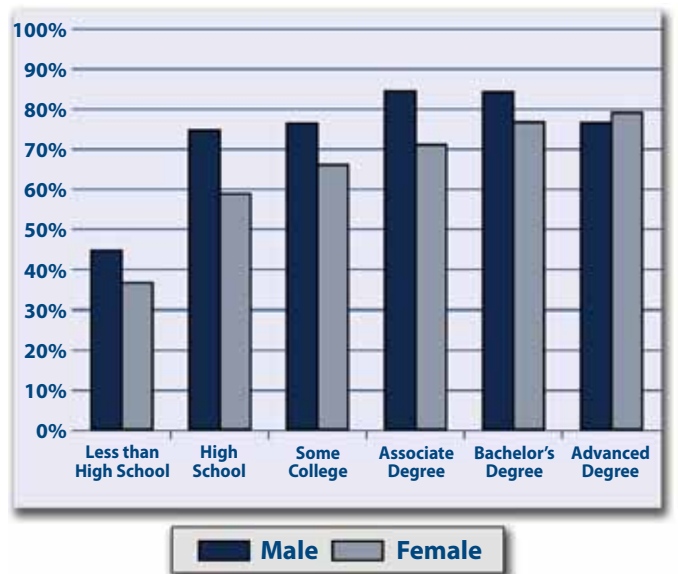
Source: Current Population Survey
Prepared by: Montana Dept. of Labor and Industry, Research & Analysis Bureau

labor force participation rates for different age groups and genders. Male labor force participation is higher than female for every age grouping except teenagers. The gap between the two genders is widest from twenty-five to thirty-four years of age, when women are most likely to opt out of the workforce to have children. Participation for both genders begins to drop significantly at age fifty-five and drops to around 50% by age sixty.

Labor Force Participation by Educational Attainment and Gender

Educational attainment has a direct impact on a person's workforce outcome. A college graduate is more likely to participate in the labor force than a person who does not complete high school. Data shown in Figure Four supports this argument. Labor force participation is significantly lower among individuals with lower levels of education attainment. Less than half of the population who failed to complete high school enters the labor force. All other levels of education participate at significantly higher rates.

Figure Four: Average Labor Force Participation by Educational Attainment and Gender, 1994-2006

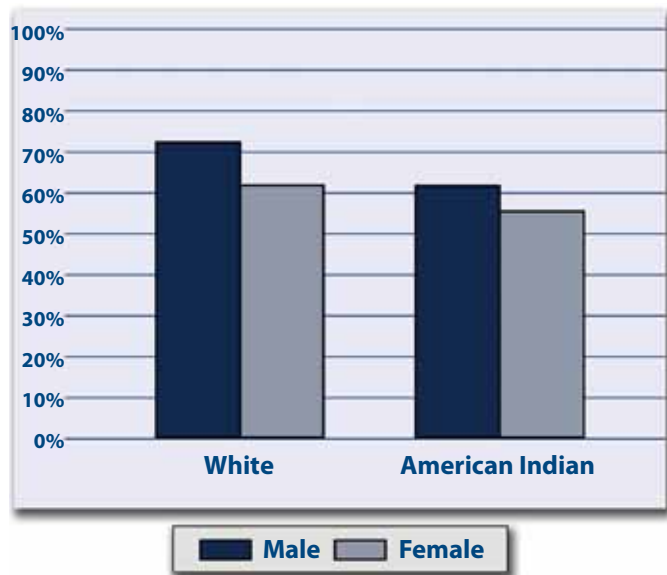


Source: Current Population Survey
Prepared by: Montana Dept. of Labor and Industry, Research & Analysis Bureau

Labor Force Participation by Race and Gender

Montana is home to two primary racial groups: whites and American Indians. Whites comprise about 91% of the state's population, while American Indians comprise about 6.5%. Figure Five shows labor force participation for whites and American Indians. The chart shows that for both males and females, American Indian participation rates are below the levels found for whites. Though there are numerous factors which influence the rates of these two groups, including local economic conditions and access to employment, there are still a significant number of American Indians in Montana who could be drawn into the labor market.

Figure Five: Average Labor Force Participation by Race and Gender, 1994-2006



Source: Current Population Survey
Prepared by: Montana Dept. of Labor and Industry, Research & Analysis Bureau

Conclusions

Montana needs a sufficient supply of quality workers in order to continue to grow economically. The state's historically low unemployment rate indicates that only a small percentage of Montanans who want to work do not currently hold a job. This labor shortage threatens the quality and quantity of the goods and services produced in the state. This article has emphasized that large proportions of certain segments of the population are not currently seeking employment.

For example, the data show that those without a high school level education participate at much lower rates than the rest of the population. Therefore, policies targeted at helping individuals attain a GED should have a positive effect on their labor force participation rates.

The data also indicate that labor force participation rates tend to drop off at about age 55. Flexible work schedules, health insurance benefits, and fulfilling work environments have all been cited as important determinants of 55 and over participation rates.

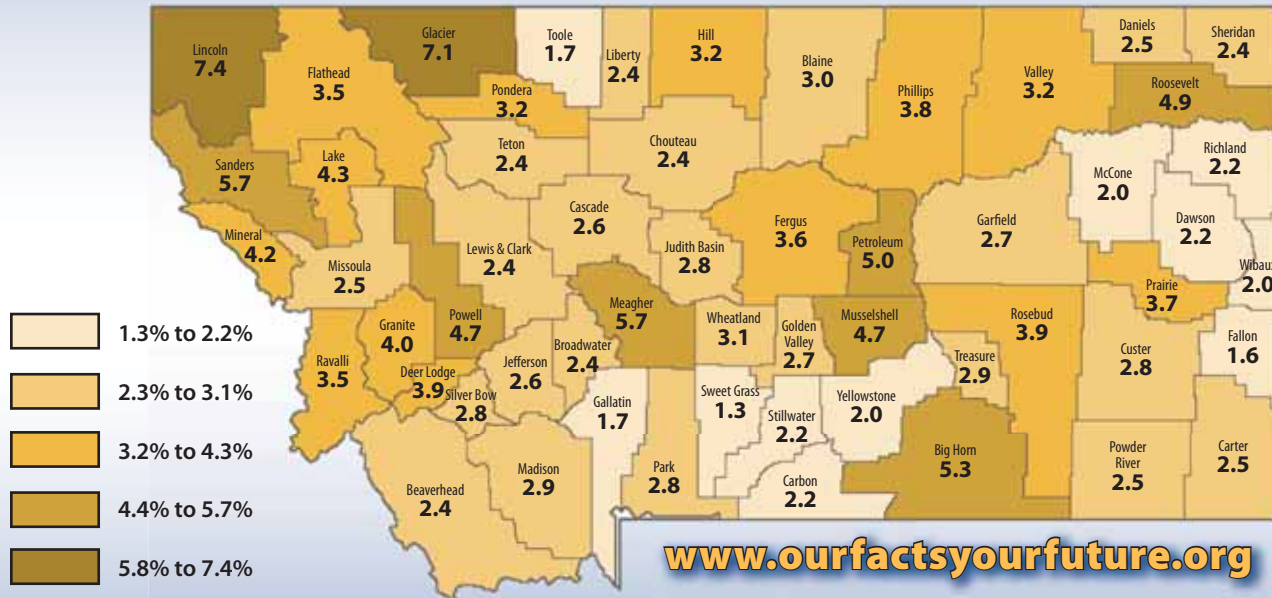
It appears the labor market is responding to the current shortage, as indicated by recent wage increases and growth in overall labor force participation rates. It remains to be seen if new workers, whether from Montana or elsewhere, will enter the workforce in sufficient numbers to keep pace with Montana's current economic expansion.



Photo courtesy of MontanaPictures.net

COUNTY UNEMPLOYMENT RATES (NOT SEASONALLY ADJUSTED)

Montana Average Rate: 2.8%



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